

ASX COMPANY ANNOUNCEMENT

2 October 2000

FINANCIAL CLOSE ON MIDLAND EXPRESSWAY

Midland Expressway, the UK's first toll road and Macquarie Infrastructure Group's largest overseas asset, reached financial close on 29 September 2000.

Midland Expressway will be a new 44 kilometre six lane toll road bypassing the city of Birmingham, England, and connecting with the M6 Motorway at both ends. The M6 through Birmingham is renowned as one of the most chronically congested motorways in Britain with commuters regularly experiencing long delays.

Midland Expressway will be one of the largest privately developed toll roads in the world. At £835 million (around A\$2.2 billion), the project is larger than any toll road yet developed in Australia.

Macquarie Infrastructure Group (MIG) will initially hold a 75% stake in the concession company (Midland Expressway Limited – MEL). MIG has just acquired, (having been conditional on financial closure), an additional 25% stake in MEL from the other MEL shareholder, Autostrade, an Italian conglomerate involved in the toll road and telecommunications industries.

MIG has also entered into put and call options with Autostrade under which MIG is entitled to increase its stake in MEL to 100% eighteen months after the road opens to traffic.

The effective price for both additional interests is approximately the same as that paid for the original stake that was purchased from Norwegian conglomerate, Kvaerner, in October 1999.

Under the base case assumptions, the projected internal rate of return to MIG on the cash received from this investment is over 21%, assuming MIG moves to 100% ownership in five years.

Commenting on the development, MIG's Managing Director, Anthony Kahn, said "We are very pleased with both the conditions under which the project is proceeding and MIG's additional equity stake. This is an exciting project with significant upside, given the unique ability of MEL to control toll pricing. Under the concession agreement, MEL has the right to increase tolls entirely at its discretion."

MIG's 75% equity commitment is for £110 million (around A\$289 million) of which £70 million (around A\$184 million) has been contributed. The remainder will be contributed at the date of opening to traffic, expected to be in January 2004.

The banking syndicate is headed by the Bank of America and Abbey National. Under the financing package, MEL shareholders have been refunded their development costs to date. This amounted to approximately £29 million (around A\$76 million) each, which MIG has used as part of its initial equity contribution.

Construction of the project will be undertaken by a consortium of leading UK contractors under a fixed price, forty month contract. The £486 million (around A\$1.3 billion) contract is the largest single road contract ever let in the UK. The consortium members are:

- Alfred McAlpine Plc ;
- Amec Plc;
- Balfour Beatty Plc; and
- Carillion Plc.

The investment reinforces MIG's position as a significant participant in the European privatised infrastructure market.

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